

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS

Question No. 1 is compulsory.

Answer any **four** questions from the remaining **five** questions.

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

(Time allowed: 3 Hours)

(100 Marks)

1. (a) (i) Mr. Chetan was travelling to Manali with his wife by bus of Himalayan Travels Pvt. Ltd. Due to some technical default in the bus, the driver has to stop the bus in a mid-way in cold night. The driver advised the passengers to get to the shelter in the nearest hotel which was at a distance of only one kilometer from that place. The wife of Mr. Chetan caught cold and fell ill due to being asked to get down and she had to walk in cold night to reach hotel. Mr. Chetan filed the suit against Himalayan Travels Pvt. Ltd. for damages for the personal inconvenience, hotel charges and medical treatment for his wife. Explain, whether Mr. Chetan would get compensation for which he filed the suit under the Indian Contract Act, 1872? **(4 Marks)**
- (ii) Sahil sells by auction to Rohan a horse which Sahil knows to be unsound. The horse appears to be sound, but Sahil knows about the unsoundness of the horse. Is this contract valid in the following circumstances under the Indian Contract Act, 1872:
- (A) If Sahil says nothing about the unsoundness of the horse to Rohan.
- (B) If Sahil says nothing about it to Rohan who is Sahil's son.
- (C) If Rohan says to Sahil "If you do not deny it, I shall assume that the horse is sound." Sahil says nothing. **(3 Marks)**
- (b) (i) ABC Limited has allotted equity shares with voting rights to XYZ Limited worth ₹ 15 Crores during the Financial Year 2023-24. After that the total Paid-up Equity Share Capital of ABC Limited is ₹ 100 Crores.
- Define the Meaning of Associate Company and comment on whether ABC Limited and XYZ Limited would be called Associate Company as per the provisions of the Companies Act, 2013?

(4 Marks)

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- (ii) MTK Private Limited is a company registered under the Companies Act, 2013 on 5th January 2022. The company did not start its business till 31st July 2024. Identify under which category MTK Private Limited company is classified. Explain the definition of the category of the company in detail. **(3 Marks)**
- (c) (i) What is the difference between partnership and co-ownership as per the Indian Partnership Act, 1932? **(4 Marks)**
- (ii) Discuss the provisions regarding personal profits earned by a partner under the Indian Partnership Act, 1932? **(2 Marks)**
2. (a) Mr. Manoj was running a shop selling good quality washing machines. Mr. Vivek came to his shop and asked for washing machine which is suitable for washing woollen clothes. Mr. Manoj showed him a particular machine which Mr. Vivek liked and paid for it. Later on, when the machine was delivered to Mr. Vivek's house, it was found that it was the wrong machine and also unfit for washing woollen clothes. He immediately informed Mr. Manoj about the delivery of the wrong machine. Mr. Manoj refused to exchange the same, saying that the contract was complete after the delivery of the washing machine and payment of price. With reference to the provisions of the Sale of Goods Act, 1930, discuss whether Mr. Manoj is right in refusing to exchange the washing machine. **(7 Marks)**
- (b) (i) Mr. Sooraj sold his business of cotton production to a cotton production company, CPL Private Limited, in which he held all the shares except one which was held by his wife. He is also the creditor in the company for a certain amount. He also got the insurance of the stock of cotton of CPL Private Limited in his own name and not in the name of the company. After one month, all the stocks of the cotton of CPL Private Limited were destroyed by fire. Mr. Sooraj filed the claim for such loss with the Insurance company. State with reasons that whether the insurance company is liable to pay the claim? **(4 Marks)**
- (ii) Alfa school is a section 8 company which started imparting education on 1.4.2015, with the sole objective of providing education to children of weaker society either free of cost or at a very nominal fee depending upon the financial condition of their parents. However, on 31st March 2023, it came to the knowledge of the Central Government that the said school was operating by violating the objects of its objective clause due to which it was granted the status of a section 8 company under the Companies Act, 2013. Describe what powers can be exercised by the Central Government against the Alfa School, in such a case? **(3 Marks)**
- (c) What do you mean by Designated Partner? Whether it is mandatory to appoint Designated partner in a LLP? **(6 Marks)**

3. (a) M/s ABC & Associates, a partnership firm with A, B and C as senior partners engaged in the business of curtain manufacturing and exporting to foreign countries. On 25th August, 2022, they inducted Mr. P, an expert in the field of curtain manufacturing as their partner. On 10th January 2024, Mr. P was blamed for unauthorized activities and thus expelled from the partnership by approval of all of the remaining partners.
- (i) Examine whether action by the partners was justified or not?
- (ii) What should have the factors to be kept in mind prior expelling a partner from the firm by other partners according to the provisions of the Indian Partnership Act, 1932? **(7 Marks)**
- (b) (i) Powertech Limited was registered as a public company. There are 230 members in the company as noted below:
- | | |
|--|-----|
| (a) Directors and their relatives | 190 |
| (b) Employees | 15 |
| (c) Ex-Employees (Shares were allotted when they were employees) | 10 |
| (d) 5 couples holding shares jointly in the name of husband and wife (5*2) | 10 |
| (e) Others | 5 |
- The Board of Directors of Powertech Limited proposes to convert it into a private company. Also advise whether a reduction in the number of members is necessary. **(4 Marks)**
- (ii) Popular Products Ltd. is company incorporated in India, having a total Share Capital of ₹ 20 Crores. The Share capital comprises of 20 Lakh equity shares of ₹ 100 each. Delight Products Ltd. and Happy Products Ltd. hold 2,50,000 and 3,50,000 shares respectively in Popular Products Ltd. Another company, Cheerful Products Ltd. holds 2,50,000 shares in Popular Products Ltd. Jovial Ltd. is the holding company for all the above three companies namely Delight Products Ltd.; Happy Products Ltd. and Cheerful Products Ltd. Can Jovial Ltd. be termed as a subsidiary company of Popular Products Ltd.
- State the related provision in favour of your answer, if Jovial Ltd. controls the composition of directors of Popular Products Ltd. **(3 Marks)**
- (c) Who is considered as an agent under the Indian Contract Act, 1872, and what are the duties and obligations associated with this role? **(6 Marks)**
4. (a) (i) Mr. Om Kashyap was a big businessman of Pune City having two sons and one married daughter. He decided to gift his house to his daughter. For this purpose, he called his lawyer at his house and made a written document for such gift. The lawyer advised him to

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get the transfer document properly registered. When they both were going for registration of document, they met with an accident, and both of them died. Later, the daughter found the document and claimed the house on the basis of that document. Explain, whether she can get the house as gift under the Indian Contract Act, 1872?

(4 Marks)

- (ii) Due to urgent need of money amounting to ₹ 3,00,000, Pawan approached Raman and asked him for the money. Raman lent the money on the guarantee of Suraj and Tarun. Pawan makes default in payment and Suraj pays full amount to Raman. Suraj, afterwards, claimed contribution from Tarun but Tarun refused to contribute on the basis that there is no contract between Suraj and him. Examine referring to the provisions of the Indian Contract Act, 1872, whether Tarun can escape from his liability.

(3 Marks)

- (b) State the Difference between promissory note and bill of exchange.”

(7 Marks)

- (c) What do you understand by Law? Also, elaborate the procedure for making a law.

(6 Marks)

5. (a) Simran went to a Jewellery shop and asked the salesgirl to show her diamond bangles with Ruby stones. The Jeweller told her that we have a lot of designs of diamond bangles but with red stones if she chooses for herself any special design of diamond bangle with red stones, they will replace red stones with Ruby stones. But for the Ruby stones they will charge some extra cost. Simran selected a beautiful set of designer bangles and paid for them. She also paid the extra cost of Ruby stones. The Jeweller requested her to come back a week later for delivery of those bangles. When she came after a week to take delivery of bangles, she noticed that due to Ruby stones, the design of bangles has been completely disturbed. Now, she wants to terminate the contract and thus, asked the Jeweller to give her money back, but he refused for the same. Answer the following questions as per the Sale of Goods Act, 1930.

- (i) State with reasons whether Simran can recover the amount from the Jeweller.

- (ii) What would be your answer if Jeweller says that he can change the design, but he will charge extra cost for the same?

(7 Marks)

- (b) (i) Subject to agreement by partners, state the rules that should be observed by the partners in settling the accounts of the firm after dissolution under the provisions of the Indian Partnership Act, 1932.

(4 Marks)

- (ii) State the legal position of a minor partner under the Indian Partnership Act, 1932 after attaining majority:

(A) When he opts to become a partner of the same firm.

(B) When he decides not to become a partner.

(3 Marks)

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- (c) How is a contract is discharged under the Indian Contract Act, 1872 and what are the different ways in which the obligations created by a contract can come to an end? **(6 Marks)**
6. (a) (i) M owes money to N. Therefore, he makes a promissory note for the amount in favor of N, for safety of transmission he cuts the note in half and posts one half to N. He then changes his mind and calls upon N to return half of the note which he had sent. N requires M to send the other half of the promissory note. Decide how rights of the parties are to be adjusted. **(4 Marks)**
- (ii) Rama executes a promissory note in the following form, 'I promise to pay a sum of ₹10,000 after three months'. Decide whether the promissory note is a valid promissory note. **(3 Marks)**
- (b) What constitutes a contingent contract under the Indian Contract Act, 1872, and what are its essential elements? **(6 Marks)**
- (c) Describe in brief the rights of the buyer against the seller in case of breach of contract of Sale under the Sale of Goods Act, 1930. **(7 Marks)**